

**BIG BEND GROUNDWATER
MANAGEMENT DISTRICT NO. 5
Stafford, Kansas**

**FINANCIAL STATEMENT
For the Year Ended December 31, 2015**

**VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas 67550**

BIG BEND GROUNDWATER MANAGEMENT
DISTRICT NO. 5, STAFFORD, KANSAS

Financial Statement
Regulatory Basis
For the Year Ended December 31, 2015

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VONFELDT, BAUER & VONFELDT, CHTD.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Bend Groundwater Management District No. 5
Stafford, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Big Bend Groundwater Management District No. 5, Stafford, Kansas, as of and for the year ended December 31, 2015 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Big Bend Groundwater Management District No. 5, Stafford, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Big Bend Groundwater Management District No. 5, Stafford, Kansas as of December 31, 2015, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Big Bend Groundwater Management District No. 5, Stafford, Kansas as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedule of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. The graphical analysis (Schedule 3 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement nor required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2014 Actual column presented in the individual fund schedule of regulatory basis receipts and expenditures-actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2015 basic financial statement upon which we rendered an unmodified opinion dated February 5, 2016. The 2014 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such 2014 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statement. The 2014 comparative information was subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 comparative information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note 1.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas

February 5, 2016

BIG BEND GROUNDWATER MANAGEMENT
DISTRICT NO. 5, STAFFORD, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2015

| Funds | Beginning Unencumbered Cash Balance | Prior Year Cancelled Encumbrances |
|------------------------|---|---|
| General Funds: | | |
| General | \$ 1,746,936.95 | \$ 0.00 |
| Total Reporting Entity | <u>\$ 1,746,936.95</u> | <u>\$ 0.00</u> |
| Composition of Cash: | | |

The notes to the financial statement are an integral part of this statement.

| <u>Receipts</u> | <u>Expenditures</u> | Ending Unencumbered Cash Balance | Add Encumbrances and Accounts Payable | Ending Cash Balance |
|----------------------|----------------------|--|--|------------------------|
| \$ 624,303.92 | \$ 296,801.75 | \$ 2,074,439.12 | \$ 20,228.91 | \$ 2,094,668.03 |
| <u>\$ 624,303.92</u> | <u>\$ 296,801.75</u> | <u>\$ 2,074,439.12</u> | <u>\$ 20,228.91</u> | <u>\$ 2,094,668.03</u> |
| | | | | \$ 6,198.67 |
| | | | | 1,350,067.18 |
| | | | | 50.00 |
| | | | | <u>738,352.18</u> |
| | | | | <u>\$ 2,094,668.03</u> |

NOW Account
 Savings Account
 Petty Cash
 Certificates of Deposit
 Total Reporting Entity

BIG BEND GROUNDWATER MANAGEMENT DISTRICT NO. 5
NOTES TO FINANCIAL STATEMENT
December 31, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MUNICIPAL FINANCIAL REPORTING ENTITY

Big Bend Groundwater Management District No. 5, Stafford, Kansas (District) is a municipal corporation governed by an elected nine member board. This financial statement presents Big Bend Groundwater Management District No. 5 (the municipality). The District has no related municipal entities.

B. REGULATORY BASIS FUND TYPES:

General fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of an interest bearing checking account, savings account and certificates of deposit. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. REIMBURSED EXPENSES

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

F. USE OF ESTIMATES

The preparation of the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds.

The Board shall submit the proposed budget for the ensuing year to the eligible voters of the District at a hearing called for that purpose by one publication in a newspaper or newspapers of general circulation within the District at least 28 days prior to the meeting. Following the meeting, the Board shall, by resolution, adopt either the proposed budget or a modified budget and determine the amount of land assessment or a user charge, or both, needed to support such budget.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory basis receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investments of idle funds to time deposits, open accounts, and certificates of deposit with the allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas District, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All deposits were legally secured at December 31, 2015.

At December 31, 2015 the District's carrying amount of deposits was \$2,094,618.03 and the bank balance was \$2,103,921.62. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$585,171.16 was covered by federal depository insurance and \$1,518,750.46 was collateralized with securities held by the pledging financial institution's agents in the District's name.

Note 5 - OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences. Full time employees accrue leave at the rate of 8 hours per month for years of employment one through nine, ten hours per month for years ten through nineteen, and 13 hours for years twenty and over. Annual leave may accumulate up to fifteen days plus one day for each year of employment. Any leave accumulated over this figure as of January 1 of each year will be lost. Payment of accrued annual leave time will be made at the time of termination providing the employee has been employed for a period of one year or more. The potential liability for unused vacation leave at December 31, 2015 and 2014 is \$12,215.95 and \$10,346.40, respectively, which is a net change of \$1,869.55. The costs of accumulated vacation benefits are not recorded in the financial statement at the time the benefits are earned by the employee.

Full time employees receive sick leave of one status day per full working month of employment. Sick leave will be allowed to accumulate to a maximum of 480 hours. Sick leave accrued in excess of 480 hours as of December 31 of each year shall be paid at one-half the hourly rate of an employee's salary for that calendar year. No payment will be made for accrued sick leave upon termination of employment, therefore there is no potential liability for accumulated sick leave as of December 31, 2015.

Full time employees receive three status days of personal leave annually. Personal leave shall not accumulate. Payment of accrued personal leave time will not be made at the time of termination of employment.

Note 6 - CONTINGENCIES

During the ordinary course of its operations the District is a party to potential claims, legal actions and complaints. It is the opinion of the District's management and legal counsel that these matters are not anticipated to have a material effect on the District's financial statement.

Note 7 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The District does not participate in a public entity risk pool.

Note 8 - SUBSEQUENT EVENTS

The District has evaluated events subsequent to year end through February 5, 2016, and does not believe any events have occurred which affect the financial statement as presented.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

BIG BEND GROUNDWATER MANAGEMENT
 DISTRICT NO. 5, STAFFORD, KANSAS
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2015

| Funds | Certified Budget | Adjustment for Qualifying Budget Credits |
|----------------|---------------------|--|
| General Funds: | | |
| General | \$ 1,000,000.00 | \$ 0.00 |

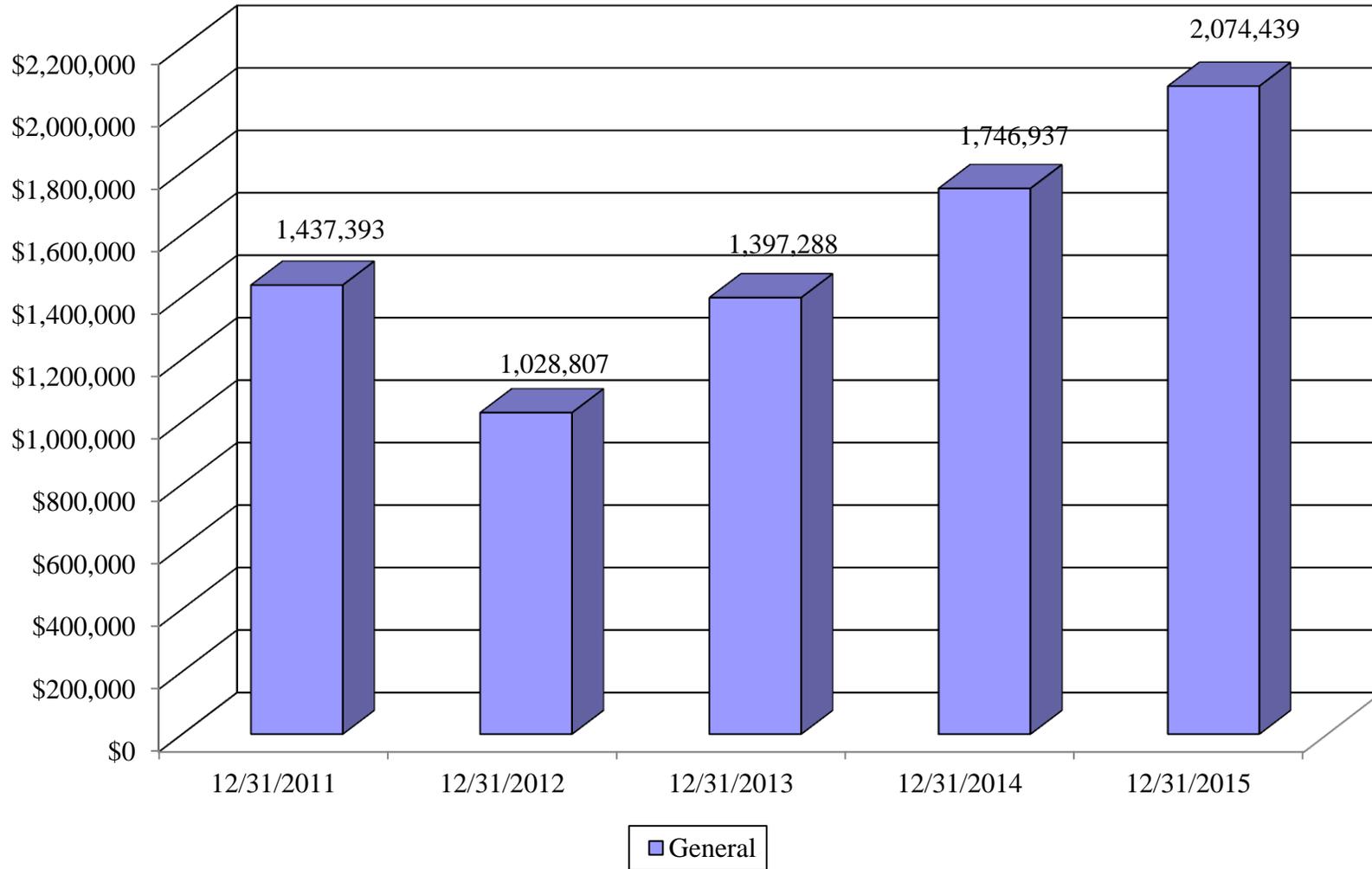
| <u>Total Budget for Comparison</u> | <u>Expenditures Chargeable to Current Year</u> | <u>Variance - Over (Under)</u> |
|--|--|--|
| \$ 1,000,000.00 | \$ 296,801.75 | \$ (703,198.25) |

BIG BEND GROUNDWATER MANAGEMENT
DISTRICT NO. 5, STAFFORD, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2015
(With Comparative Actual Totals for the Prior Year Ended December 31, 2014)

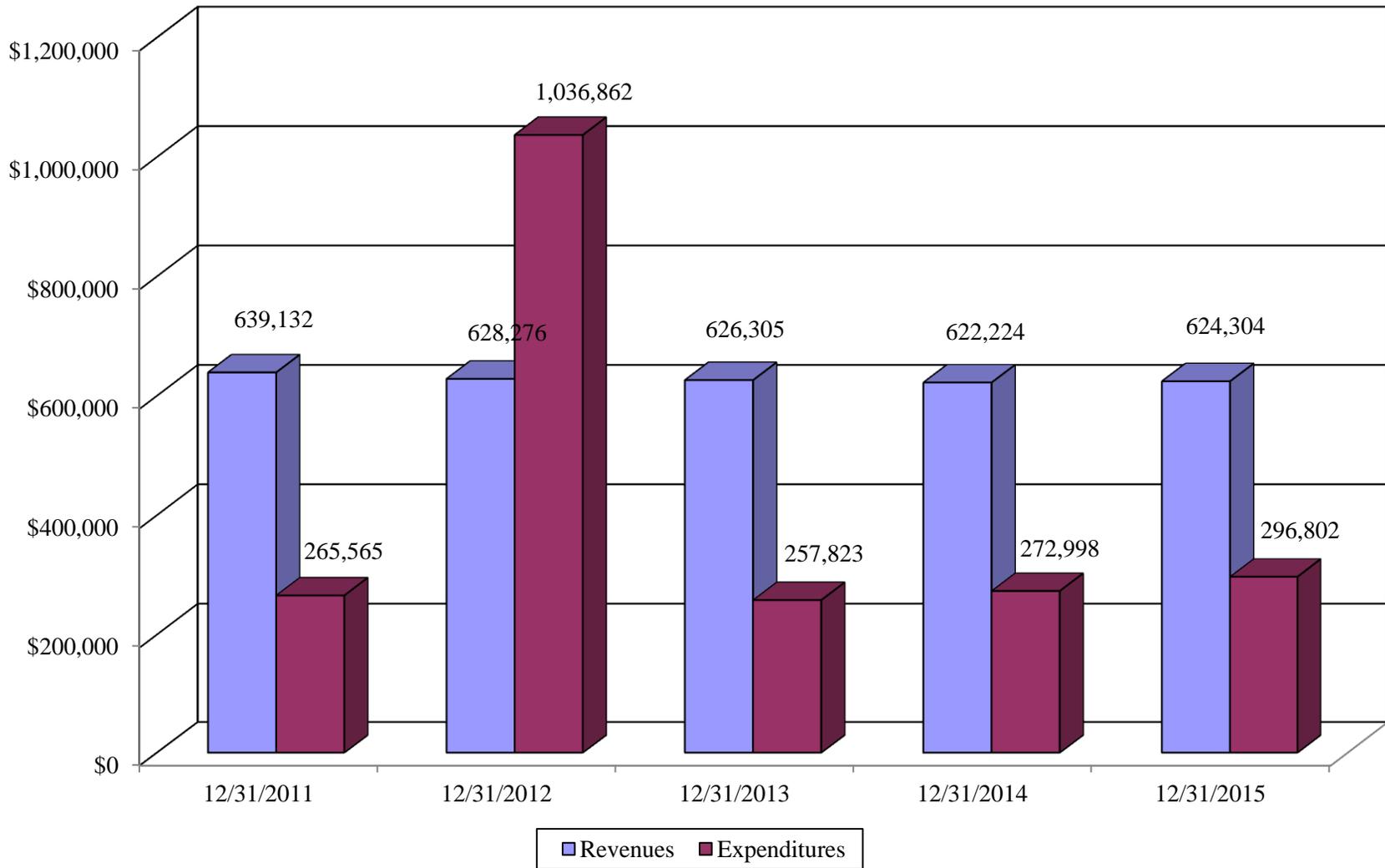
| | Current Year | | | Variance - Over (Under) |
|------------------------------------|------------------------|------------------------|------------------------|-------------------------------|
| | Prior Year Actual | Actual | Budget | |
| Receipts | | | | |
| Taxes and Shared Receipts: | | | | |
| Tax Revenue | \$ 609,439.64 | \$ 609,558.51 | \$ 609,000.00 | \$ 558.51 |
| Interest | 4,905.81 | 5,445.52 | 0.00 | 5,445.52 |
| Other | 7,878.32 | 9,299.89 | 0.00 | 9,299.89 |
| Total Receipts | <u>622,223.77</u> | <u>624,303.92</u> | <u>\$ 609,000.00</u> | <u>\$ 15,303.92</u> |
| Expenditures | | | | |
| Personal Services | 165,798.90 | 179,121.15 | 218,000.00 | (38,878.85) |
| Building | 1,589.32 | 3,621.37 | 4,000.00 | (378.63) |
| Equipment | 677.08 | 3,807.06 | 7,000.00 | (3,192.94) |
| Office Supplies | 4,148.16 | 4,393.29 | 4,500.00 | (106.71) |
| Printing & Publishing | 4,275.69 | 2,732.00 | 6,000.00 | (3,268.00) |
| Travel & Conference | 10,870.63 | 10,612.89 | 12,000.00 | (1,387.11) |
| Utilities | 6,195.13 | 6,126.12 | 8,000.00 | (1,873.88) |
| Weather Station Expense | 9,638.71 | 6,847.13 | 15,000.00 | (8,152.87) |
| Water Management Programs | 48,901.19 | 38,768.58 | 610,000.00 | (571,231.42) |
| Central Kansas Water Bank | 573.78 | 154.27 | 0.00 | 154.27 |
| Professional Fees | 6,175.00 | 27,039.58 | 100,000.00 | (72,960.42) |
| Dues & Memberships | 1,565.00 | 1,500.00 | 1,500.00 | 0.00 |
| Business Dinners | 878.84 | 551.75 | 1,000.00 | (448.25) |
| Insurance | 9,430.00 | 10,030.00 | 11,000.00 | (970.00) |
| Postage | 791.92 | 911.47 | 1,000.00 | (88.53) |
| Computer Upgrade | 621.75 | 0.00 | 0.00 | 0.00 |
| Other | 866.64 | 585.09 | 1,000.00 | (414.91) |
| Total Expenditures | <u>272,997.74</u> | <u>296,801.75</u> | <u>\$ 1,000,000.00</u> | <u>\$ (703,198.25)</u> |
| Receipts Over (Under) Expenditures | 349,226.03 | 327,502.17 | | |
| Unencumbered Cash, Beginning | 1,397,288.23 | 1,746,936.95 | | |
| Prior Year Cancelled Encumbrances | <u>422.69</u> | <u>0.00</u> | | |
| Unencumbered Cash, Ending | <u>\$ 1,746,936.95</u> | <u>\$ 2,074,439.12</u> | | |

SUPPLEMENTARY INFORMATION

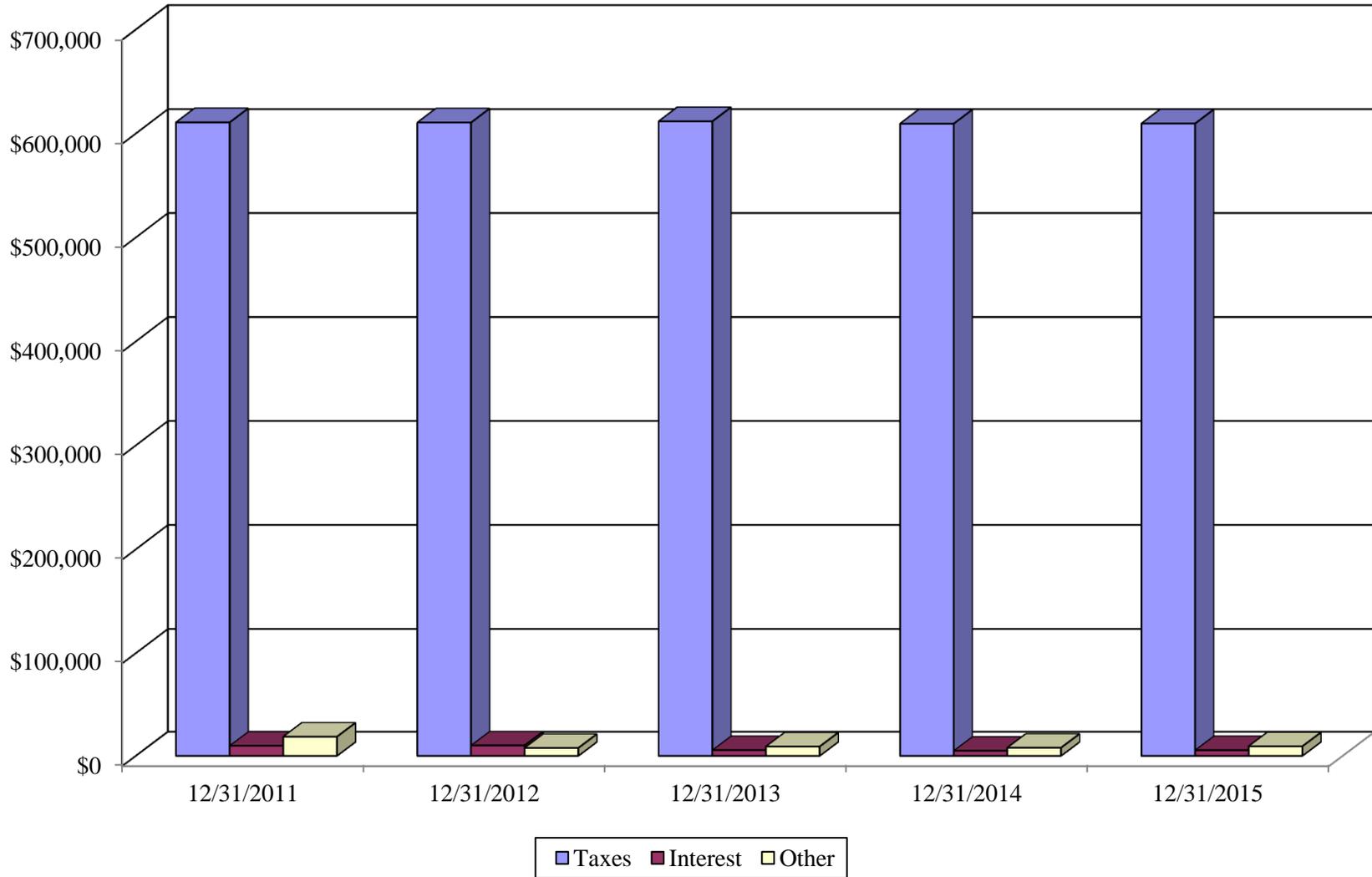
Big Bend Groundwater Management District No. 5 Stafford, Kansas Unencumbered Cash Balance



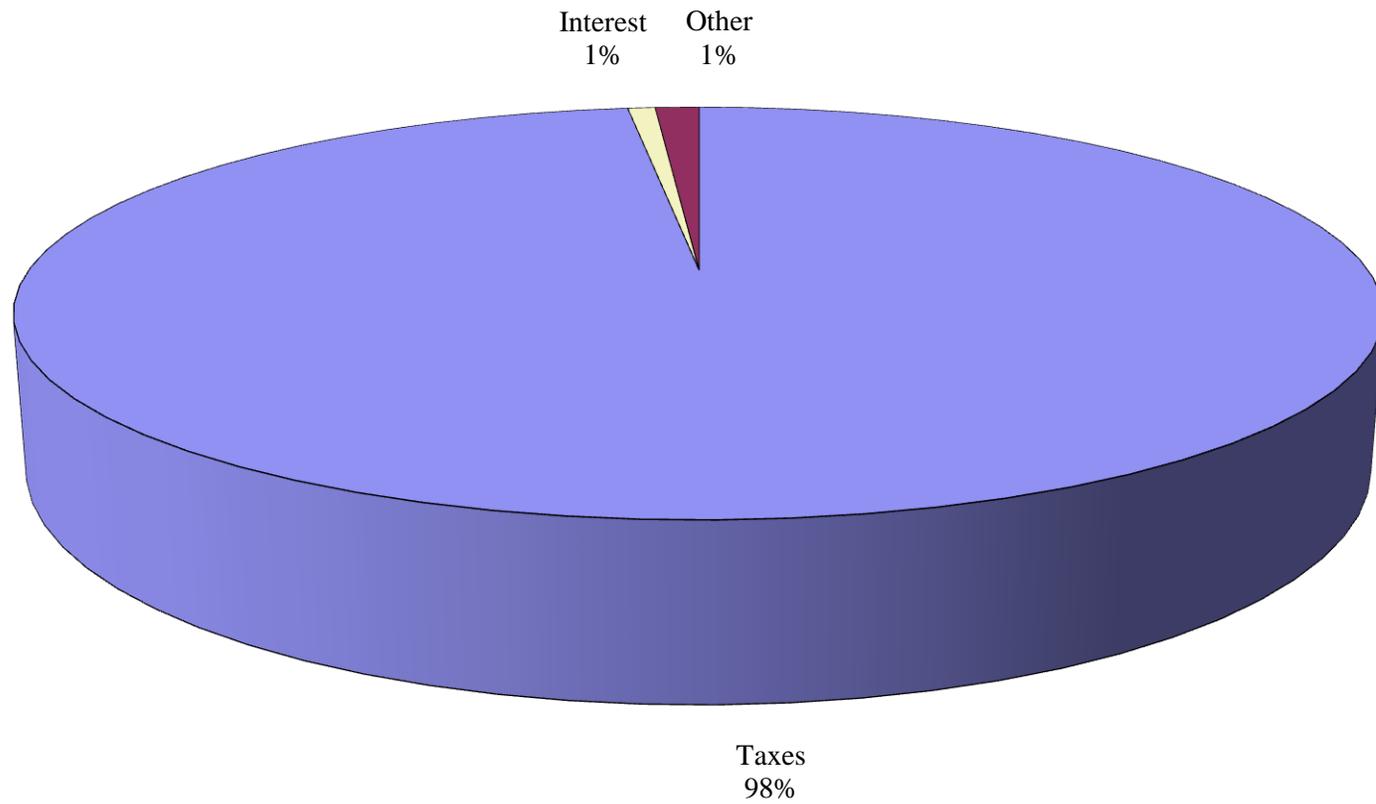
Big Bend Groundwater Management District No. 5 Stafford, Kansas Revenues vs Expenditures



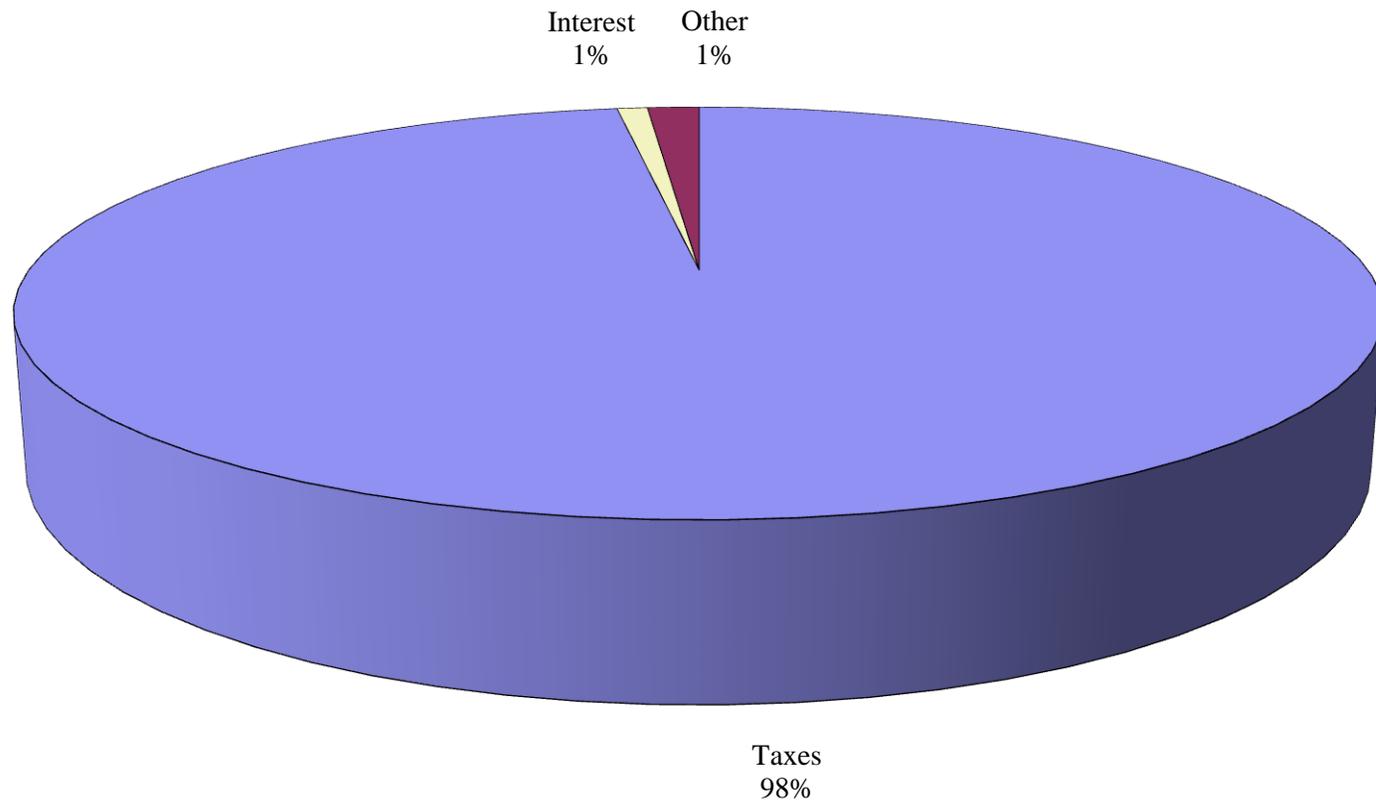
Big Bend Groundwater Management District No. 5 Stafford, Kansas General Fund Revenues



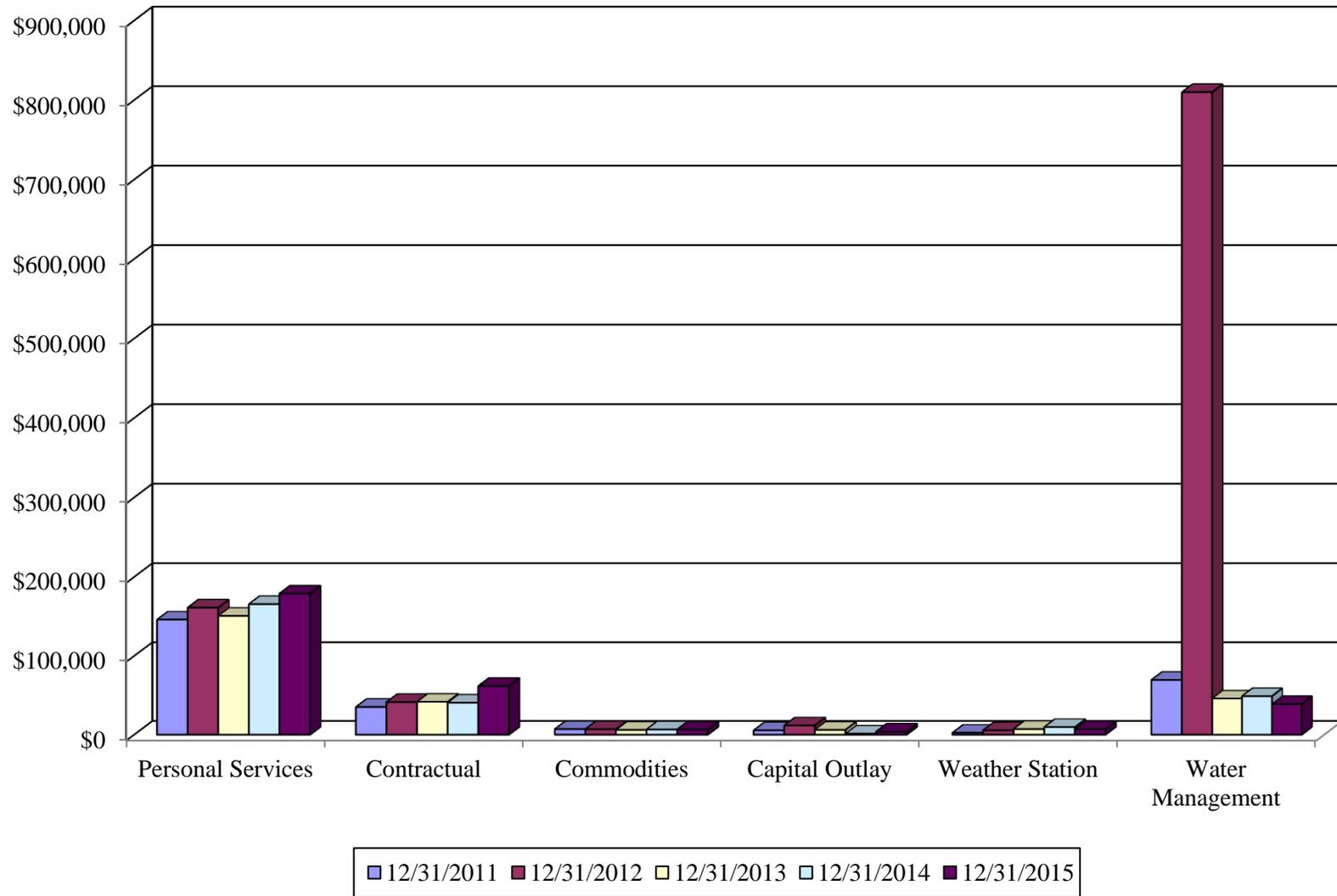
Big Bend Groundwater Management District No. 5
Stafford, Kansas
General Fund Revenues
12/31/2014



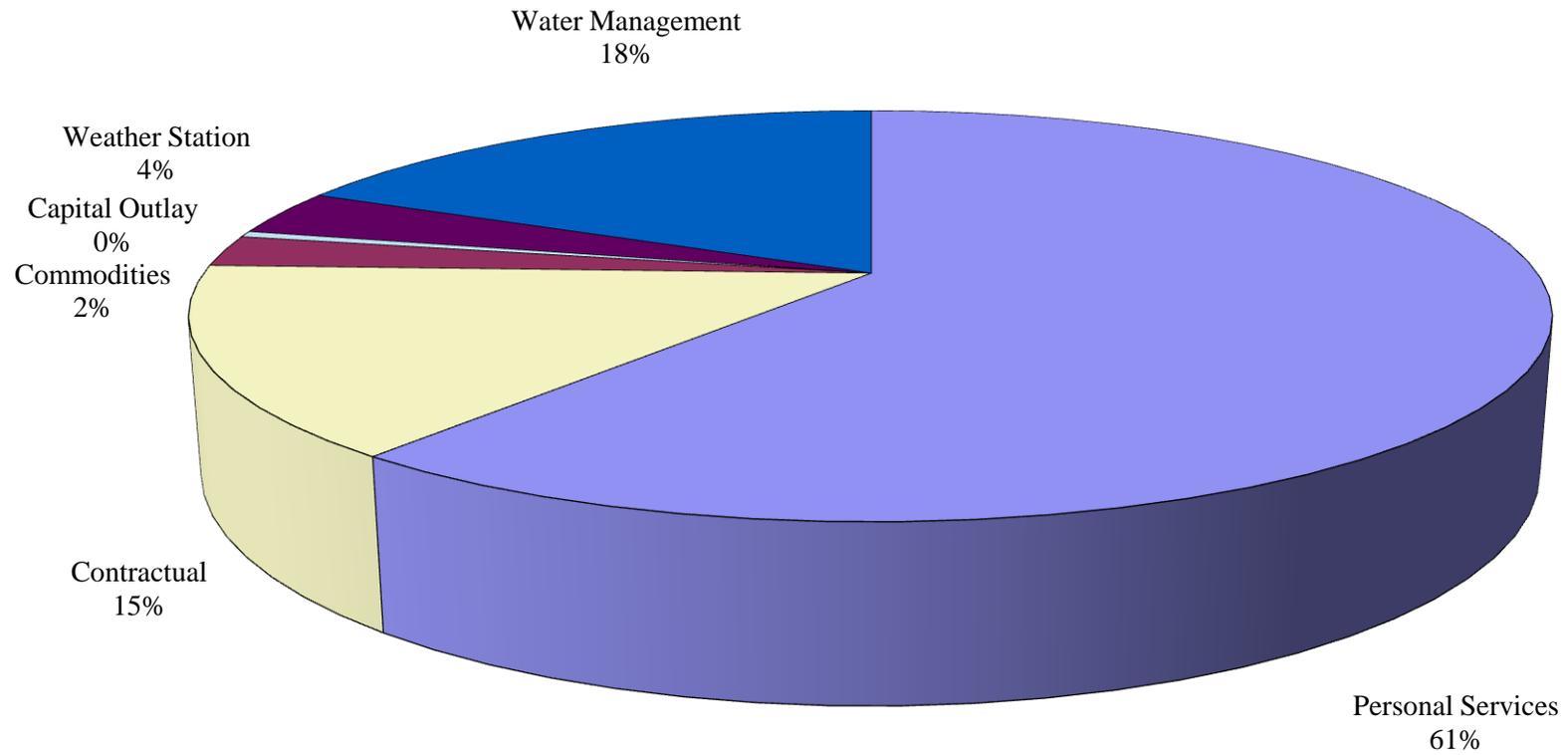
Big Bend Groundwater Management District No. 5
Stafford, Kansas
General Fund Revenues
12/31/2015



Big Bend Groundwater Management District No. 5 Stafford, Kansas General Fund Expenditures



Big Bend Groundwater Management District No. 5
Stafford, Kansas
General Fund Expenditures
12/31/2014



Big Bend Groundwater Management District No. 5
Stafford, Kansas
General Fund Expenditures
12/31/2015

